

# WHAT'S NEXT?

## Future Challenges/Developments



### BUDGET:

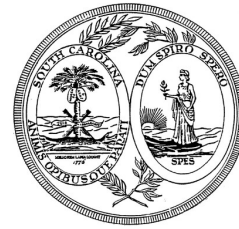
Revenues continued to trend downward during Fiscal Year 2010. Despite this trend, the State ended the year with a budgetary General fund surplus of \$71.0 million. In order to end the year with a surplus, the Budget and Control Board had to mandate agency spending reductions in the amount of \$438.7 million and drew down the Capital Reserve Fund of \$127.8 million to further shield agency budgets.

The fact that the State's revenue continues to be erratic underscores the need to re-examine the prevailing philosophy about spending, to close the gap between what we spend and what we can afford. We must set priorities and identify those essential things state government should do, and resist the urge to spend on things that are less essential.

### ECONOMIC CHALLENGES/DEVELOPMENTS:

South Carolina's current economic policies are driven by both the State's spending practices and the continuing national progress through the recession. The new fiscal year brings many challenges for maintaining a well-balanced budget. For the first five months of Fiscal Year 2011, revenue collections have met expectations for anticipated growth. Overall, revenue collections are 5.3% above the prior year. Individual income taxes and sales taxes, the State's top two sources of revenue, have increased 4.0% and 1.9%, respectively, when compared to the same period as last year. Because of the increase in revenue collections, the Board of Economic Advisors has adjusted its original revenue estimate up by 1.5%.

During Fiscal Year 2010, the South Carolina Military Base Task Force, a special task force established by the Governor, was able to attract three operational squadrons and two training squadrons of the new F-35B fighter jets to locate within South Carolina. The Department of Defense announced that all five squadrons would be based at the Marine Corps Air Station in Beaufort.



# STATE OF SOUTH CAROLINA

## A Report to Our Citizens

### For Fiscal Year 2010

(JULY 1, 2009 THROUGH JUNE 30, 2010)

### Table of Contents:

<i>Keys for Change.....</i>	<i>1</i>
<i>South Carolina's Progress.....</i>	<i>2</i>
<i>South Carolina's Finances.....</i>	<i>3</i>
<i>Future Challenges/Developments.....</i>	<i>4</i>



### THE SOUTH CAROLINA VISION

South Carolina is home to the hardest-working, most patriotic citizens in the world. Our vision for government is that it lives up to the potential of our people—a government that encourages economic growth and prosperity; a government that balances the need for essential services with the desire of taxpayers to keep more of their own hard-earned money; and a government that places the well-being of its citizens first, ahead of all other considerations.

- **Comptroller General**  
**Richard Eckstrom**

### KEYS FOR CHANGE:

#### Fiscal Responsibility at the State and Local Government Levels:

- Adopt sustainable budgets
- Contain taxes by limiting government spending
- Reduce government debt
- Improve financial transparency

#### Restructure State Government:

- Streamline and combine agencies to eliminate waste
- Empower Governor with central administrative functions

	Calendar Year 2008	Calendar Year 2009
Population at Year End	4,503,280	4,561,242
Average Annual Unemployment Rate	6.9%	11.7%
Per Capita Income	\$32,947	\$32,338
	Fiscal Year 2009	Fiscal Year 2010
Public School Enrollment	707,739	712,240
State Government Employees at Year End	70,104	68,803

# SOUTH CAROLINA'S PROGRESS In Fiscal Year 2010

## GOVERNMENT:

Several key bills were signed into law during Fiscal Year 2010:

- The Department of Employment and Workforce was established as a cabinet level agency to perform workforce development functions and replace the Employment Security Commission in the administration of unemployment compensation.
- The State's cigarette tax was legislatively increased, effective starting in Fiscal Year 2011, from seven cents to fifty cents per cigarette pack, devoting the majority of the revenue generated to a newly created Medicaid Reserve Fund and other assistance.
- The Legislature proposed and the general electorate (in November via vote) passed, a State constitutional amendment to increase the funding requirement of the General Reserve Fund from three percent to five percent of State General Fund revenue in the latest completed fiscal year.

## ECONOMY/EMPLOYMENT:

South Carolina's unemployment rate was 10.6% for November 2010, an improvement of 1.7% over last year but still higher than the national rate of 9.8%. South Carolina gained 14,100 jobs over the prior year but still has not recovered from the tremendous job loss of 92,700 from 2009. South Carolina's per capita income for calendar year 2009 (most recent year available) decreased to \$32,338, or 1.8% below 2008. In 2009, the decrease was less than the national decrease of 2.6% and the southeastern states decrease of 2.1%.



## TRANSPARENCY:

The Comptroller's spending transparency website, located at [www.cg.sc.gov](http://www.cg.sc.gov), continued to expand during Fiscal Year 2010 by adding the ability to view monthly itemized procurement (credit) card expenditures by each State agency, including colleges and universities. The goal of the website is to provide meaningful information to the public in an easily accessible and understandable format, making the maximum possible amount of information publicly available. State government seeks to set an example for local governments in transparency, and many local governments across South Carolina have joined State government in developing their own transparency websites to disclose spending at local levels.

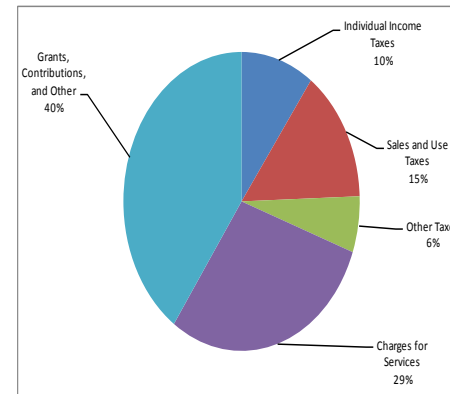
## STIMULUS REVENUES:

Through Fiscal Year 2010, State agencies had recorded \$2.7 billion in expenditures of federal stimulus funds using \$1.1 billion to pay unemployment benefits and \$706.8 million to provide Medicaid services. Detailed reports on stimulus spending can be found at [www.cg.sc.gov/scstimulus/](http://www.cg.sc.gov/scstimulus/).

# SOUTH CAROLINA'S FINANCES Revenues and Expenditures

## Primary Government Sources of Revenue

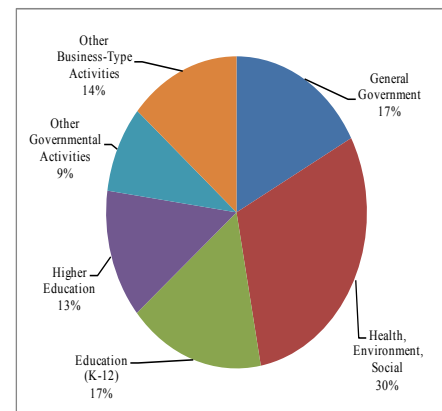
### 2010 REVENUES BY SOURCE



Revenues by Source (Expressed in Thousands)	2009	2010
Individual Income Taxes	\$ 2,805,998	\$ 2,659,728
Sales and Use Taxes	3,908,318	3,855,095
Other Taxes	1,682,300	1,616,347
Charges for Services	6,754,117	7,777,893
Grants, Contributions, and Other	8,401,508	10,738,603
<b>Total Revenues</b>	<b>\$ 23,552,241</b>	<b>\$ 26,647,666</b>

## Primary Government Functional Expenditures

### 2010 EXPENITURES BY FUNCTION



Expenditures by Function (Expressed in Thousands)	2009	2010
General Government	\$ 4,350,906	\$ 4,475,571
Health, Environment, Social	7,359,415	7,854,207
Education (K-12)	4,109,666	4,400,125
Higher Education	3,396,191	3,520,564
Other Governmental Activities	2,189,750	2,373,710
Other Business-Type Activities	2,810,941	3,593,790
<b>Total Expenditures</b>	<b>\$ 24,216,869</b>	<b>\$ 26,217,967</b>

### Independent Audit:

An independent audit of the State's financial statements resulted in a clean audit opinion.

To see the 2010 Comprehensive Annual Financial Report, visit [www.cg.sc.gov](http://www.cg.sc.gov).